

IPO market sees green shoots

Slew of companies in process of filing, re-filing public issue documents with the regulator

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Mumbai, 18 November

After a dismal year, the market for public share sales is seeing a few green shoots. In the past two months, four companies — Route Mobile, Monte Carlo, Mazgaon Dock Shipbuilders, and Indian Renewable Energy Development Agency — have refiled offer documents with the Securities and Exchange Board of India (Sebi) for initial public offerings (IPOs). Mumbai-based realtor Puranik Builders may also refile its offer document, said people in the know. Also, SBI Cards & Payment Services, UTI Mutual Fund, and a few small finance banks are in the process of submitting their IPO documents with the market regulator in the next few months, say industry experts.

So far, 27 firms have IPO approvals from Sebi and they could raise an estimated ₹18,000 crore through the share sales, data from Prime Database shows. These include the likes of CSB Bank, Ujjivan Small Finance Bank, Bajaj Energy, Shriram Properties, and Panna Cement. Another seven, which include some of the names cited above, have filed offer documents in the past three months but are yet to receive the regulatory nod. "We may see a few deals coming through but it may not necessarily point towards a revival," said Pranav Haldea, managing director, PRIME Database. This year, 14 companies have raised a little over ₹15,000 crore via IPOs. All, except one, are trading in the green on the bourses, with IRCTC and Affle (India) clocking gains in excess of 100 per cent. FY17 and FY18 had seen a combined mop-up of over ₹1 trillion through IPOs.

While the markets have run-up a bit since September, the rally may not sustain owing to lack of improvement in earnings growth, believes Haldea.



Brokerages are cautious on the markets following a slump in key economic indicators and a sharp liquidity-driven rally post the government's move to cut corporation tax rates. The benchmark BSE Sensex is up 12 per cent year-to-date.

And if the secondary market does not see a meaningful rally, the mood in the primary market is unlikely to see a turnaround. Several companies have let the approvals for IPOs lapse this year. This may continue if there is not enough demand at the price they are looking to raise money, says Haldea. "Valuations remain tricky and companies will have to ensure they leave enough money on the table to ensure their IPOs sail through," he said.

"For companies, it's a question of trial and error,"

TOP IPO GAINERS THIS YEAR

	Issue size (₹cr)	Current G/L (%)
IRCTC	64.51	187.98
Affle (India)	459.00	119.57
IndiaMART InterMESH	475.59	97.47
Polycab India	1,346.19	74.35
Neogen Chemicals	132.35	71.12
Metropolis Healthcare	1,204.29	58.41
Spandana Sphoorty	1,189.85	51.70
Embassy Office Parks REIT	4,750.00	39.17
MSTC	212.04	32.46
Rail Vikas Nigam	481.57	28.95

G/L: General ledger; Source: Basis of allotment Compiled by BS Research Bureau

said Dara Kalyaniwala, vice-president, investment banking, PL Capital Markets. "There is still a great deal of uncertainty in the market, and a refiling will enable companies to hit the market as soon as sentiment improves."

Sebi's letter of observation is usually valid for 12 months. Give or take a month or two from the date of filing and getting regulatory approval, companies are essentially looking at a 14-month window at the time of filing or refiling to hit the market with their offerings. According to Kalyaniwala, companies that refile shell out ₹1-1.5 crore by way of fees to the regulator, investment bankers, lawyers, if IPOs are below ₹1,000 crore. The amount could be slightly higher for larger issues.